MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BFN2044 – BANK MANAGEMENT

(All sections / Groups)

12 OCTOBER 2017
2.30 p.m –4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 3 pages with 4 questions only.
2. Attempt ALL FOUR questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answer in the Answer Booklet provided.

Question 1 (25 marks)

PROFIN BANK has experienced the following trends over the past five years (all figures in RM million)

Year	Net Income After Tax (RM million)	Total Operating Revenues (RM million)	Total Assets (RM million)	Total Equity Capital (RM million)
1	2.7	26.5	293	18
2	3.5	30.1	382	20
3	4.1	39.8	474	22
4	4.8	47.5	508	25

(a) Calculate the bank's profit margin for each year (from year 1 to 4). (4marks)

(b) Calculate the bank's asset utilization for each year (from year 1 to 4). (4marks)

(c) Calculate the bank's equity multiplier for each year (from year 1 to 4). (4marks)

(d) Calculate the bank's return on asset (ROA) for each year (from year 1 to 4). (4marks)

(e) Calculate the bank's return on equity (ROE) year (from year 1 to 4). (4marks)

(f) Based on the above results, briefly describe the trends of this bank. (5marks)

Question 2 (25 marks)

(a) Although majority of the bank's assets are in the form of loans, banks have also devoted a significant portion of their asset in investment portfolios. Explain 6 (six) key roles of investments in banking institution. (12 marks)

(b) Securitization is gaining popularity among banking institutions nowadays. Defined securitized assets and explain why have they grown so rapidly over the past two decades? (7 marks)

(c) What are the six (6) factors that influenced the growth and mix of bank loans? (6 marks)

Continued...

Question 3 (25 marks)

(a) As a bank manager, you are given the following information for the coming week by your subordinate:

Deposit withdrawals	RM 33 million
Customer loan repayments	RM 98 million
Operating expenses demanding cash payment	RM 51 million
Acceptable new loan requests	RM 294 million
Sales of bank assets	RM 18 million
New deposits	RM 370 million
Borrowings from the money market	RM 43 million
Nondeposit service fees	RM 27 million
Previous bank borrowings scheduled to be repaid	RM 73 million
Dividend payment to bank stockholders	RM 140 million

(i) What is this bank's projected net liquidity position for the coming week?

(15 marks)

(ii) What measures that the bank need to employ to solve this potential problem?

(2 marks)

(iii) What are the principle sources of bank's supply of liquidity?

(3 marks)

(b) A bond possesses a duration of 9.8 years. Suppose that market interest rates on comparable bonds were 7.5 percent this morning, but have now shifted downward to 7.25 percent. What percentage change in the bond's value occurred when interest rates decreased by 25 basis points?

(5 marks)

Continued...

Question 4 (25 marks)

As a new credit trainee for BNB Bank, you have been asked to evaluate the financial position of EXXA Sdn Bhd, which has asked for renewal of and an increase in its six-month credit line. EXXA Sdn Bhd now requests a RM2 million credit line, and you must draft your first credit opinion for a senior credit analyst.

The following information for EXXA Sdn Bhd. is given:

Business Assets (RM Million)	
Cash account	60
Accounts receivable	194
Inventories	125
Fixed assets	250
Miscellaneous assets	96
	725
Liabilities and Equity (RM million)	
Short-term debt:	108
Accounts payable	117*
Notes payable	325*
Long-term debt (bonds)	15
Equity capital	160
	725

*Annual principal payments on bonds and notes payable total RM55. The firm's marginal tax rate is 35 percent.

Annual Revenue and Expense Items (RM million)	
Net sales	600
Cost of goods sold	445
Wages and salaries	52
Interest expense	28
Overhead expenses	29
Depreciation expenses	12
Selling, administrative, and other expenses	28
Before-tax net income	6
Taxes owed	1
After-tax net income	5

Based on the given information, calculate:

(a) All of the expense control ratios for this company. (14 marks)
(b) All of the company's operating efficiency ratios. (11 marks)

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